



T. ROWE PRICE FUNDS SICAV

## US Impact Equity Fund – ESG Report

Providing transparency on Environment, Social and Governance aspects of the Fund

As of 31 December 2024

### ESG APPROACH

- All our stock selection decisions begin with a clearly defined positive impact thesis, which proactively and systematically integrates environmental, social and governance (ESG) considerations. In pursuit of long-term growth of capital, the fund seeks positive environmental or social impact and to outperform the benchmark. We maintain a focus on companies that we believe offer positive impact today and underappreciated impact in the future, together with durable and superior future earnings and cash flow growth, attractive industry structure, strong management quality, and expert capital allocation. Company fundamentals, including the consideration of environmental, social, and governance factors, play a critical role in the stock selection process. Credible ESG solutions require investment and we have been building capability in the field of ESG integration and responsible investing for a number of years in order to fully embed ESG within our investment process. Our philosophy is that ESG factors cannot be separate or a tangential part of a traditional investment thesis; they have to be integrated alongside fundamental factors to create the best outcome for clients.
- The process of ESG integration takes place on three levels: first, as our fundamental and responsible investing research analysts incorporate environmental, social, and governance factors into their analysis; second, as we use T. Rowe Price's proprietary RIIM analysis at regular intervals to help us understand the ESG characteristics of single stocks and the aggregate portfolio; and third, as the portfolio manager integrates ESG considerations within the investment thesis and portfolio construction process itself.
- Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help proactively and systematically analyze the environmental, social, and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers over 15,000 companies and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
  - ESG performance data (e.g., number of accidents, carbon emissions, strength of whistle-blower programs, etc.);
  - ESG targets (e.g., plans to reduce carbon emissions, increase diversity, etc.)
  - ESG incidents and controversies (e.g., environmental fines paid, local community controversies/protests against a company, etc.)
- It is important to reiterate that our impact universe is formed through careful screening by our Responsible Investing team, which allows us to focus our stock picking on companies that are delivering material and measurable impact, while understanding ESG factors as we form our perspectives. We incorporate our team's forward-looking perspective on positive impact into our quantifiable understanding of the past, in order to understand the future direction of change. Deep research resources are needed to embrace this complex challenge, but we have invested in our capabilities on behalf of our clients.

**INVESTMENT OBJECTIVE:** To have a positive impact on the environment and society by investing in sustainable investments, where the companies' current or future business activities are expected to generate a positive impact whilst at the same time seeking to increase the value of its shares, over the long term, through growth in the value of its investments.

**INVESTMENT PROCESS:** The fund is classified as Article 9 under SFDR (the EU's Sustainable Finance Disclosure Regulation); it has a clear sustainable investment objective, meaning that it is aiming to have a positive impact on the environment and society by investing primarily in sustainable investments. The fund is actively managed and invests mainly in a diversified portfolio of shares of companies in the United States. The investment manager will focus on companies that it believes have the potential to create positive social or environmental impact through their products or services, and that appear to offer superior growth prospects and investment characteristics. The fund has sustainable investment as an objective that the fund aims to achieve through its commitment to only invest in sustainable investments (excluding cash and derivatives used for portfolio management techniques for the purpose of hedging, liquidity management and risk reduction). The investment manager will use T. Rowe Price's in-house proprietary impact screening process to select companies for its portfolio. Each company selected for inclusion in the fund's portfolio has current or future business activities that are expected to generate a material and measurable positive impact under one of the three impact pillars: Climate and Resources Impact; Social Equity and Quality of Life; Sustainable Innovation and Productivity. In addition, the investment process aims to select companies capable of achieving and sustaining above-average, long-term growth in capital appreciation and in the value of the fund's investments. The fund may use derivatives for hedging and efficient portfolio management. For full investment objective and policy details refer to the prospectus. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

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## RECENT COMPANY ENGAGEMENTS

We maintain a regular dialogue with the management teams of companies represented across the portfolio. Our investment-driven engagement program frequently identifies targets through our proprietary RIIM analysis, governance screening and analysts' fundamental research. While we engage with companies in a variety of different contexts, ESG engagement focuses on learning about, encouraging or exchanging perspectives on the environmental practices, corporate governance or social issues affecting their business.

While most of the meetings we hold with company managements will include some discussion of ESG topics, we differentiate meetings held with a heavy focus on ESG, meaning ESG issues were the sole items on the agenda or made up a meaningful part of the meeting. Agenda items are classified as "meaningful" when they take up a significant portion of the meeting or are a significant factor in the investment case.

The following are selected examples of recent engagements with companies held in or considered for the portfolio. The examples are not meant to be representative of every engagement held, but to illustrate the types of ESG engagements we are having with the managements of our investment companies.

## Sprouts Farmers Market (3<sup>rd</sup> Quarter 2024 Engagement)

<b>Focus</b>	Environment, Social
<b>Company Description</b>	Sprouts Farmers Market (SFM) is a leading food retailer in the U.S. specifically focused on natural and organic products.
<b>Engagement Objective</b>	We engaged with SFM on impact and emissions targets.
<b>Participants</b>	<p>From SFM: Chief Executive Officer; Chief Operating Officer; Chief Financial Officer; Investor Relations Representatives</p> <p>From T. Rowe Price Associates, Inc.: Portfolio Managers; Investment Analysts; Director of Research, Responsible Investing; Responsible Investing Analyst</p>
<b>Engagement Outcome</b>	<p>We engaged with SFM on its approach to impact disclosure and to provide feedback on its climate strategy.</p> <p><b>Impact at core of SFM's corporate strategy</b></p> <p>Given the U.S. grocery market is dominated by large players who are difficult to beat on price or convenience, SFM noted that it began pursuing a different strategy five years ago—to target a portion of around USD 200 billion of the USD 1.4 trillion overall market focused on products that are healthier for consumers and better for the planet.</p> <p>Identifying emerging brands with positive health or environmental attributes is central to the company's approach. SFM has a dedicated "foraging" team whose job it is to identify new brands and products, respond to consumer trends, and ensure new merchandise is compliant with the company's health/environment product standards.</p> <p>We conveyed our interest in additional disclosure highlighting the environmental and/or health credentials of the produce/products SFM sells. The company was open to our feedback in this area.</p> <p><b>Climate strategy</b></p> <p>SFM established its inaugural emissions target earlier this year. The company announced an intensity-based target to reduce emissions intensity 25% per square foot of real estate by 2033 versus 2023.</p> <p>We conveyed to the company that, while it is positive that SFM is taking action to address emissions, the target is not currently aligned to the goals of the Paris agreement. SFM noted the challenges of reducing emissions against its operational backdrop whereby the company is rapidly expanding.</p> <p>The engagement allowed us to share our views on best practices for impact and follow-up on our request for disclosures that would provide a more comprehensive picture of SFM's impact in future reporting. The meeting also allowed us to provide feedback on the company's climate strategy.</p>

<sup>1</sup> Scope 1: direct emissions from owned or controlled sources; scope 2: indirect emissions from the generation of purchased electricity, steam, or cooling; scope 3: all other indirect emissions.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the SICAV sub-fund, and no assumption should be made that the securities identified and discussed were or will be profitable.

**Payoneer (3<sup>rd</sup> Quarter 2024 Engagement)**

<b>Focus</b>	Social
<b>Company Description</b>	Payoneer is a global cross-border payments provider enabling disbursements and mass payouts.
<b>Engagement Objective</b>	We engaged with Payoneer to discuss its impact thesis and associated reporting of impact key performance indicators (KPIs).
<b>Participants</b>	From Payoneer: Chief Executive Officer; Chief Financial Officer; Investor Relations Representative  From T. Rowe Price Associates, Inc.: Portfolio Manager; Impact Analyst; Investment Analyst
<b>Engagement Outcome</b>	<p>Payoneer aligns to the financial inclusion theme within developing markets. In particular, Payoneer plays a key role in the economic empowerment of underserved small and medium-sized businesses (SMBs) in developing markets by fulfilling their cross-border needs in a reliable and efficient way and enabling them to grow and expand their business globally.</p> <p>We discussed the characteristics of Payoneer’s customer base and the “Ideal Customer Profile.” Payoneer believes that its closeness to customers is a unique advantage compared with local competitors, with the need to rely on a localized model where Payoneer deploys customer success managers to provide support and promote customer retention and growth.</p> <p>It was clear throughout the meeting that the company has a lot of data on its customers, and we discussed potential opportunities for Payoneer to leverage these data and report relevant impact KPIs. One angle we discussed was to report metrics that demonstrate the positive economic impact on its customers (e.g., cost savings acceleration of revenue growth, cash flow support). An additional angle was to disclose more data around the demographics of its customer base (e.g., women/minority-owned businesses supported).</p> <p>We agreed to a follow-up meeting with Payoneer’s head of ESG and Social Impact to discuss further improvements that could be made to its impact reporting.</p> <p>The meeting provided us an opportunity to discuss Payoneer’s impact thesis and to provide recommendations on additional impact KPI reporting.</p> <p>We will monitor whether Payoneer reports impact metrics focused on (1) demonstrating the positive economic impact on its customers and (2) its customer demographics, with our target for this ask being within two years.</p>

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## ESG RIIM PROFILE

The T. Rowe Price Responsible Investing Indicator Model (RIIM) rates companies, governments and securitized assets in a traffic light system measuring their environmental, social, and governance profile and flagging issuers with elevated risks. For certain types of investments, including, but not limited to, cash, currency positions, and particular types of derivatives, an ESG analysis may not be relevant or possible due to a lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

	Portfolio		Benchmark	
	No. of securities	% weight	No. of securities	% weight
● Green	51	94.1	416	80.2
● Orange	2	5.2	83	19.2
● Red	0	0.0	3	0.6
● Not in scope	0	0.0	0	0.0
● Not covered	0	0.0	1	0.0
● Reserves	1	0.7	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>503</b>	<b>100.0</b>

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the S&P 500 Index Net 30% Withholding Tax. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

## SUSTAINABILITY INDICATOR

The fund is classified as Article 9 according to the Sustainable Finance Disclosure Regulations (SFDR).

The sustainability indicator used by the fund is a minimum of 25% of the value of the fund's portfolio held in securities that the investment manager identifies as sustainable investments with an environmental objective and 25% with a sustainable objective.

The percentage exposure of the fund to sustainable investments is:

	Target Minimum Commitment %	Fund Exposure %
Sustainable Investments	-	99.3
with Environmental Objectives	25.0	40.3
with Social Objectives	25.0	59.0

## PRINCIPAL ADVERSE IMPACT (PAI) INDICATORS

Under the European Union Sustainable Finance Disclosure Regulations (SFDR), investment managers are required to take into account Principal Adverse Impact (PAI) indicators, a set of metrics that highlight the potential negative impacts on sustainability factors that result from investment decisions. This is integrated into our ESG analysis at a security level.

Some PAI indicators have limited data availability which may lead to misrepresentative values for the fund. In these cases, the metric value and data coverage are displayed as n/a in the following tables.

In addition, the investment manager considers the following PAI indicators at an aggregate fund level. Metric values are shown in the Base Currency of the fund (USD):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
1. GHG Emissions	Scope 1 GHG emissions	mtCO2e	2,045	96.9%
	Scope 2 GHG emissions	mtCO2e	471	96.9%
	Scope 3 GHG emissions	mtCO2e	10,589	96.9%
	Total GHG emissions	mtCO2e	13,105	96.9%
2. Carbon footprint	Carbon footprint	mtCO2e per mn invested	123.4	96.9%
3. GHG intensity of investee companies	GHG intensity of investee companies	mtCO2e per mn revenue	407.2	98.3%
10. Violations of UNGC principles and OECD guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	0.0%	99.3%
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of board members	Average ratio of female board members	34.2%	97.5%
14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Percentage of total invested	0.0%	98.0%

The table below displays the remaining PAI indicators as of the report date. These are displayed for reporting purposes. Metric values are shown in the Base Currency of the fund (USD):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
4. Exposure to companies active in fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Percentage of total invested	4.3%	99.3%
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Percentage of non-renewable energy	57.6%	79.5%
6. Energy consumption intensity	Energy consumption in GWh per million of revenue of investee companies	GWh/mn of revenue	0.4	87.8%
7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Percentage of total invested	0.0%	99.3%
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million invested, expressed as a weighted average	Ktons per mn invested	n/a	n/a
9. Hazardous waste	Tonnes of hazardous waste generated by investee companies per million invested, expressed as a weighted average	Ktons per mn invested	n/a	n/a
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	0.0%	99.3%
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Percentage of pay gap	n/a	n/a

## GLOSSARY OF TERMS

**Metric coverage** - The percentage of the portfolio for which PAI data is available

**GHG** - Greenhouse gas emissions

**Scope 1 GHG emissions** - Direct greenhouse gas emissions by the fund

**Scope 2 GHG emissions** - Indirect greenhouse gas emissions made by the fund

**Scope 3 GHG emissions** - All other indirect emissions that occur in the funds value chain

**mtCO<sub>2</sub>e** - Metric tonnes of carbon dioxide equivalent

**Carbon footprint (Scope 1,2 & 3 emissions)** - The total greenhouse gas emissions per million invested in the fund

**GWh** - Gigawatt Hours

**Ktons** - Kilotonnes

**UNGC** - The United Nations Global Compact

**OECD** - The Organization for Economic Co-operation and Development

**No data** - no data is available or can be calculated for the indicator

**RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details):** Issuer

concentration - Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the fund's assets are concentrated. Sector

concentration - Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the fund's assets are concentrated. Small and

mid-cap - Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

**General fund risks - to be read in conjunction with the fund specific risks above.** Equity - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. ESG and sustainability - ESG and Sustainability risk may

result in a material negative impact on the value of an investment and performance of the fund. Geographic concentration - Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the fund's assets are concentrated.

Investment fund - Investing in funds involves certain risks an investor would not face if investing in markets directly.

Management - Management risk may result in potential conflicts of interest relating to the obligations of the investment

manager. Market - Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. Operational - Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

## ADDITIONAL DISCLOSURES

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Holdings-based analytics are calculated using T. Rowe Price's internal Investment Book of Records (IBOR). Due to timing and accounting methodology differences, IBOR data may differ from the Accounting Book of Records (ABOR) data provided by the Fund's accountant.

## IMPORTANT INFORMATION

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